

THE DIRECTOR OF
CENTRAL INTELLIGENCE

Executive Registry

76-5587/1

National Intelligence Officers


11 November 1976

MEMORANDUM FOR: The Director

SUBJECT : EPB Meeting

You had some thoughts about possibly sharing the EPB experience with the transition team. I drafted the attached with that thought in view.

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National Intelligence Officer
for Economics

Attachment

MORI/CDE

NIO #1778-76
11 November 1976

MEMORANDUM FOR THE RECORD

SUBJECT: DCI's Meeting with the EPB 9 November

1. At Treasury Secretary Simon's initiative, the DCI met with the Economic Policy Board (EPB) on Tuesday morning, November 9, to review the relationship that has evolved between intelligence and economic policymaking.

2. It was a unique session in three respects:

- (a) The level of attendance -- the full economic cabinet and all but one White House principal (Greenspan) were present; two members of the PFIAB (Chairman Cherne and Bill Casey) also attended.
- (b) The length of the meeting -- 1 1/2 hours, a good deal longer than normal EPB meetings and
- (c) The upbeat tone of the discussion -- mostly expressions of appreciation of the intelligence contribution to policymaking and a strong vote in favor of more.

3. Simon, who chaired the meeting, asked the DCI to make some brief introductory remarks. The DCI noted the increasingly pervasive role of economics in decisionmaking and the large number of issues on which we now provide policy-oriented intelligence. He cited some of our major accomplishments and indicated our awareness of some of our shortcomings -- the need for more comprehensive integrative estimates, for better institutional initiatives to stimulate such estimates, and for a greater use of external research to supplement our internal capabilities. He concluded with an invitation to those present to take a retrospective view of their experience of the past few years and to share with us their appraisal of their own performance in relating to intelligence and the desirability of developing a more "intimate" as compared with an "arm's length" relationship with intelligence.

4. Simon weighed in immediately with a strong endorsement of intimacy, emphasizing that he had done all he could to draw CIA closer to policy by sharing his briefing books and personal

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policy memoranda and engaging in a continuous dialogue. He reiterated his vigorous support of a closer intelligence role in the policy process.

5. Simon then went around the room asking each EPB member to comment. Following are some of the highlights of these comments:

(a) Substantive. A number of apt suggestions were made by Richardson, Lynn, and Dent for the kinds of intelligence support they would like to see:

- ° early warning of new economic problems or issues that might face policymakers in the future; e.g., the possibility that the Soviet Bloc, in its desperate pursuit of hard currency earnings, might resort to dumping on a large scale, and the need for developing new, specialized rules for defining "dumping" so that it is meaningful in the context of a non-market economy.
- ° improving the economic-political-diplomatic linkages in policymaking, such as by improving our understanding of what constitutes economic leverage -- Richardson suggested a study of the history of economic sanctions. Do they work? Are we over-estimating leverage potential? Can intelligence identify leverage opportunities?
- ° more analyses of a longer-term nature, focused on US policy interests.

6. There were also some suggestions that seemed less appropriate as intelligence tasks:

- ° a study of the experience of other countries with social welfare programs, to highlight what was viewed as a widespread disillusionment with an overly intrusive government role
- ° a study of activities of international unions, particularly in reacting to the activities of multinational corporations
- ° more forward-looking intelligence on the emergence of new industries that might be helpful to the commercial interests of American business firms.

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7. These and other substantive comments were all explicitly aimed at more policy-focused analysis, with the single exception of Chuck Robinson, whose remarks reflected a view not uncommon within State that it is undesirable for intelligence to draw policy implications. Simon disagreed vehemently with this view, arguing that, as far as he was concerned, intelligence should not only draw policy implications, but should actually make explicit policy recommendations. But to this, both the DCI and Richardson took immediate exception, pointing out that intelligence recognizes the limits of its charter. It must remain aloof from specific policy lines, if it is to avoid biasing its own analysis. Examining alternative policy options is one thing, making policy recommendations quite another.

(b) Institutional. Most of the remaining comments dealt with the problems of coordinating and integrating both the policy process and the use of intelligence to serve that process. For example:

- Robinson was concerned that State's and Treasury's competitive tasking of intelligence might overwhelm the Office of Economic Research and that tasking therefore should be coordinated between them.
- Richardson recommended a joint EPB-NSC policymaking framework, so as to integrate economic issues more fully into the national security decision process.
- Richardson expressed a desire for Commerce to join Treasury in being represented on the NFIB and its Economic Intelligence Committee.
- A most cogent point was made by Seidman, who pointed out that the key to both intelligence and policy integration is how the White House is organized. He asserted that the separation of international from domestic economic policy that has occurred was pure foolishness, and argued that the EPB should have been the focal point both for coordinating economic intelligence tasking and integrating the intelligence input. He blamed the failure to do this on the shortcomings of White House organization.

(c) PFIAB Comments. Chairman Leo Cherne expressed amazement at the extraordinary nature of this meeting and the hope that its lessons will not be lost upon the new Administration. Simon urged the DCI to do his best to convey what we have learned to the transition team.

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Cherne then commented on the futility of trying to develop standard formulas or SOPs for channelling intelligence into the decision process, given the fact that nobody really understands how executive decisions are made. (He cited a recent Harvard Business Review article showing how every chief executive makes decisions his own way.) There was much agreement on the critical dependence of decision processes on personal style.

Bill Casey was then asked to summarize a memorandum he had prepared for the PFIAB on his view of future economic intelligence requirements. (The memo will be circulated separately.) Casey sees the real deficiencies as the lack of "comprehensive economic analysis", the absence of a forum for evaluating overall economic strategy and threats, the excess of concern for military as compared with economic S & T, and our failure to tap the economic wisdom of the business community at high levels.

8. The meeting ended on a general tone of consensus: intelligence support for economics is valuable, should and can be strengthened, and ought to be expanded into wider and more ambitious reaches.



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National Intelligence Officer
for Economics

Distribution:

DCI

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D/DCI/NI

DDI

Mr. Ernst, D/OER

 ICS

Mr. Laux, Commerce (*Eas only*)

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Attendees at EPB Meeting November 9, 1976

William Simon, Secretary of the Treasury (chairman)
Roger Porter, (executive secretary)
Charles Robinson, Deputy Secretary of State
Elliott Richardson, Secretary of Commerce
James Lynn, Director, OMB
John Knebel, Acting Secretary of Agriculture
William Usery, Secretary of Labor
William Coleman, Secretary of Transportation
William Seidman, White House
Frederick Dent, White House, STR
James Gorog, Director, White House, CIEP
Leo Cherne, Chairman, PFIAB
William Casey, member, PFIAB
George Bush, DCI
25X1 [redacted] DCI/NIO
Maurice Ernst, Director, CIA/OER
25X1 [redacted] DCI/IC Staff
William Morell, Treasury
David Laux, Commerce